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TO RUEHC/SECSTATE WASHDC PRIORITY 0168
INFO RHMFIUU/DEPT OF JUSTICE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEAH/AMEMBASSY ASHGABAT 2673
RUEHTA/AMEMBASSY ASTANA 0235
RUEHEK/AMEMBASSY BISHKEK 4287
RUEHLM/AMEMBASSY COLOMBO 1389
RUEHKA/AMEMBASSY DHAKA 2154
RUEHDBU/AMEMBASSY DUSHANBE
RUEHBUL/AMEMBASSY KABUL 7264
RUEHK/AMEMBASSY KATHMANDU 8540
RUEHNE/AMEMBASSY NEW DELHI 1265
RUEHNT/AMEMBASSY TASHKENT 3418
RUEHKP/AMCONSUL KARACHI 6561
RUEHLH/AMCONSUL LAHORE 2747
RUEHPW/AMCONSUL PESHAWAR 1167
RUEHWR/AMEMBASSY WARSAW 0258
RUEHAD/AMEMBASSY ABU DHABI 3428

UNCLAS SECTION 01 OF 02 ISLAMABAD 002866

SIPDIS

SIPDIS
WARSAW FOR RSEAMAN, ABU DHABI FOR GMULLINAX
STATE FOR SCA/PB AND EB/ESC/TFS LLAMBERT
TREASURY FOR PDERGARABEDIAN, ASHARMA
JUSTICE FOR LSAMUEL

E.O. 12958: N/A

TAGS: [KTFN](#) [PTER](#) [EFIN](#) [PK](#)

SUBJECT: HIGH LEVEL APG DELEGATION TO VISIT REGARDING STALLED AML
LEGISLATION

¶1. (U) This is an action cable. Please see paragraph 8.

¶2. (SBU) Summary: The Asia Pacific Group is sending a high level delegation to Pakistan July 2-3 in order to impress on the GOP the seriousness with which they regard Pakistan's lack of progress on passing anti-money laundering legislation, which has languished in a standing committee of Parliament for almost two years. An amendment to the Banking Companies Act, which would have included many of the anti-money laundering provisions in the stalled bill, was attached to budget legislation, but was rejected by the Senate on June 23. Parliamentarian Haroon Piracha, a member of the Standing Committee on Finance in the National Assembly, expressed frustration at the lack of movement on the bill, but also voiced concerns over potential economic ramifications. Piracha was unaware of the high-level mission as well as of the serious consequences that could result if the APG takes action against Pakistan for failing to pass an internationally acceptable anti-money laundering bill. We request instructions to demarche the GOP on these consequences, to ensure that the Government is cognizant of the possible ramifications of its foot dragging. End Summary.

¶3. (SBU) Background: In 2002, the Department of Justice (DOJ) worked closely with the GOP to craft an anti-money laundering (AML) bill that would meet international standards. Before the bill could reach the Cabinet for a vote, it was changed in order to "harmonize" with the Indian AML legislation - which did not meet international standards, according to the DOJ. Eventually the GOP revised the bill again; however, it still fell short of what was needed to meet Financial Action Task Force (FATF) requirements. In September 2005, the AML draft legislation was approved by the Cabinet. While it was closer to meeting international standards, it still fell short in several key areas; namely money laundering itself was not considered an independent crime, and asset seizure and forfeiture provisions were inadequate. The bill was sent to the Standing Committee on Finance for review and possible amendment before being sent to a vote by the

full National Assembly.

¶4. (SBU) On June 28, Econoff met with Parliamentarian Haroon Piracha from the ruling PML-Q party. Piracha, a US-educated banker, joined the Standing Committee on Finance in December 2006. Piracha informed Econoff the Standing Committee had completed its review of the bill and passed it back to the Ministry of Finance (MOF).

¶5. (SBU) The Standing Committee on Finance formed a subcommittee comprising 5-7 members in order to expedite the committee's final review of MOF changes before sending it to the full National Assembly for a vote. Piracha said the subcommittee had not met yet. (Note: In a conflicting statement, Javed Malik, Additional Secretary, Ministry of Finance, told Econcounselor June 12 that the bill was currently being reviewed by this subcommittee and that the legislation would be put into final form by June 25 and submitted to the National Assembly. Malik was aware of the APG's impending visit and appeared anxious to demonstrate that progress was being made, but as of June 29, the bill is still in limbo. End Note) Econoff offered to have the Embassy's Legal Advisor review the final amendments with the subcommittee, an offer Piracha welcomed, once he returned from a trip abroad in a few weeks.

¶6. (SBU) Although he agrees that a comprehensive money-laundering bill should be passed, Piracha voiced concerns over its potential economic ramifications. He feared that recent banking sector reforms that encouraged overseas Pakistanis to send their remittances through legal banking channels instead of hawalas or hundis could be undone. Concerns about monitoring of transactions might also discourage investment in Pakistan. The provision for asset forfeiture, he believed, could be abused for political reasons. Piracha promised to give us a copy of the final version of the bill.

ISLAMABAD 00002866 002 OF 002

¶7. (SBU) Econoff informed Piracha that a high-level mission from the Asia Pacific Group (APG) was scheduled to visit Pakistan July 2-3 to discuss the status of the AML bill and the consequences of further inaction. (Note: The APG is a regional, FATF-like organization tasked with disrupting money-laundering channels. End Note) Econoff informed Piracha of the negative ramifications if Pakistan were to be placed on the APG's "watch list." They include: the cessation of all correspondent banking relations between the U.S. and Pakistan; the generation of a Suspicious Transaction Report for all transactions involving Pakistani banks; and a three-day hold on all international money transfers cleared through U.S. banks. Piracha expressed shock at the extent of possible APG sanctions, and agreed it was imperative Parliament pass the bill quickly. Piracha said all parliamentarians were concerned about the date of the next elections, and that if they happen more quickly than expected, the new legislature would have to start from "ground zero" with the AML bill. Piracha believes the bill should be voted on no later than September in order to ensure this Parliament will review it, otherwise it will be another long wait.

¶8. (SBU) Action Requested: It does not appear that there is general awareness in Pakistan of the possible repercussions of failing to pass AML legislation in the near future. The impending visit of the APG delegation is a signal that patience is wearing thin. Post requests Demarche instructions for delivery to the GOP highlighting the consequences of being placed on the APG's watch list.

PATTERSON